

Message Text

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FOR TEXTILE DEL

FOL RPT KINGSTON 6043 SENT ACTION SECSTATE 1 AUG 78 QUOTE

UNCLAS KINGSTON 6043

E.O. 11652: N/A
TAGS: ECON, ETR, JM
SUBJECT: TEXTILES - GOJ VIEWS EXPRESSED TO DAS ARELLANO

REF: A. KINGSTON 5932, B. KINGSTON 5920, C. KINGSTON 5803

1. SUMMARY: DURING VISIT OF STATE/COMMERCE TEAM, GOJ MINISTER OF INDUSTRY AND COMMERCE DANNY WILLIAMS ASKED DEPUTY ASSISTANT SECRETARY ARELLANO FOR A MEETING TO REVIEW PROBLEMS AND ISSUES RELATING TO JAMAICA'S TRADE IN TEXTILES WITH THE UNITED STATES. THIS MEETING WAS HELD ON THURSDAY, JULY 27. ATTENDING ALONG WITH MINISTER WILLIAMS AND MR. ARELLANO WERE DR. DONOR LION, DIRECTOR, ECDA, EMBASSY KINGSTON; MR. DANIEL GRANT, OFFICE OF INVESTMENT AFFAIRS, BUREAU OF ECON. AND BUSINESS AFFAIRS, STATE DEPARTMENT; AND MR. RODERICK RAINFORD, JAMAICA INDUSTRIAL DEVELOPMENT; CORPORATION. IN RESPONSE TO MR. ARELLANO'S UNCLASSIFIED

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REQUEST, MINISTER WILLIAMS SUBSEQUENTLY PREPARED AN AIDE MEMOIRE ON THE SUBJECT, THE TEXT OF WHICH FOLLOWS.

2. BEGIN TEXT:

AIDE MEMOIRE
ARRANGEMENT REGARDING SHIPMENT OF

TEXTILES FROM JAMAICA TO THE U.S.A.

THE SALIENT POINTS HIGHLIGHTED IN THIS REVIEW AND OTHER CONSIDERATIONS RELATING THERETO ARE SET OUT HEREUNDER.

1. SINCE THE EARLY 1960'S JAMAICA'S TRADE WITH THE UNITED STATES IN TEXTILES AND TEXTILE PRODUCTS HAVE BEEN REGULATED BY A QUOTA AGREEMENT SETTING LIMITS ON OVERALL SHIPMENTS AS WELL AS ON SHIPMENTS OF PARTICULAR CATEGORIES OF TEXTILE GOODS.

2. THIS AGREEMENT WAS USUALLY FIXED FOR A PERIOD OF TIME AND EXTENDED AT THE EXPIRY OF EACH SUCH PERIOD. OVERALL, THE QUOTA LEVEL WAS AT FIRST ESTABLISHED AT 18.5 MILLION SQ. YD. EQUIVALENT IN 1964, AND AT EACH SUCCESSIVE EXTENSION OF THE AGREEMENT AN INCREMENT WAS ADDED TO THE OVERALL QUOTA UNTIL IT REACHED 30.1 MILLION SQ. YD. EQUIVALENT IN 1974.

3. THIS QUOTA AGREEMENT, AS EXTENDED FROM TIME TO TIME, HAD APPLIED ONLY TO COTTON TEXTILES. WITH THE COMING INTO EFFECT ON JANUARY 1, 1974, OF THE MULTILATERAL ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES, BILATERAL ARRANGEMENTS FOR SHIPMENTS OF TEXTILES INTO THE U.S.A. STARTED TO COVER COTTON AND NON-COTTON TEXTILES.

4. JAMAICA'S ACTUAL PERFORMANCE IN EXPORTS OF COTTON TEXTILES
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AGAINST THE QUOTA ENTITLEMENT HAS SHOWN A DECREASING TREND FROM AFTER THE MID 1960'S UP TO THE PRESENT. ACTUAL PERFORMANCE IN 1966 WAS 16.4 MILLION SQ. YD. EQUIVALENT (AGAINST A QUOTA ENTITLEMENT IN THAT YEAR OF 20.4 MILLION SQ. YD. EQUIVALENT); BY 1974 ACTUAL PERFORMANCE IN COTTON TEXTILES HAD FALLEN TO 2.8 MILLION SQ. YD. EQUIVALENT (AS AGAINST A QUOTA ENTITLEMENT IN THAT YEAR OF 30.1 MIL. SQ. YD. EQUIVALENT).

5. DUE TO THIS DRAMATIC DECLINE IN PERFORMANCE, THE UNITED STATES GOVERNMENT REFUSED TO AGREE TO ANY FORMAL QUOTA ARRANGEMENT AFTER MARCH 1975, THE TIME WHEN THE THEN EXISTING QUOTA ARRANGEMENT WAS DUE TO EXPIRE.

6. JAMAICA'S EXPORTS OF TEXTILES AND TEXTILE PRODUCTS TO THE UNITED STATES HAD BEEN LARGELY ACCOUNTED FOR BY THE OFFSHORE OPERATIONS OF U.S. GARMENT MANUFACTURERS WHO WERE PRODUCING TO SUPPLY MARKETS THEY ALREADY CONTROLLED.

7. AGAINST THE BACKGROUND OF LOW PERFORMANCE IN RELATION TO QUOTA ENTITLEMENTS, THE U.S. INSISTED, AFTER LONG AND DIFFICULT NEGOTIATIONS, THAT THEY WILL AGREE TO AN ARRANGE-

MENT UNDER WHICH JAMAICA WOULD BE LEFT TO SHIP TEXTILES AND TEXTILE PRODUCTS TO THE U.S. WITHOUT ANY FORMAL QUOTA LIMITATION UNTIL SUCH TIME AS A SIGNIFICANTLY HIGH LEVEL OF PERFORMANCE HAD BEEN BUILT UP TO WARRANT NEGOTIATION OF A FORMAL QUOTA.

8. JAMAICA WOULD PERHAPS NOT HAVE MINDED THIS ARRANGEMENT BUT FOR THE FACT THAT THE U.S. INSISTED ON RESERVING THE RIGHT TO PLEAD MARKET DISRUPTION AT ANY TIME, WITH THE EFFECT OF FREEZING JAMAICA'S SHIPMENTS AT THE LEVEL THAT THEY WOULD HAVE REACHED AT THAT POINT. SOME ASSURANCE WAS SOUGHT BY THE JAMAICAN SIDE THAT THE U.S. WOULD NOT CALL FOR MARKET DISRUPTION BELOW A CERTAIN FLOOR, BUT THE FLOOR THAT WAS EVENTUALLY AGREED TO BY THE U.S. WAS UNCLASSIFIED

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RATHER LOW (700,000 SQ. YD. EQUIVALENT FOR APPAREL CATEGORIES).

9. IN THE MEANTIME, THE PRODUCTION OUTLOOK IN THE INDUSTRY WAS TRANSFORMED DURING 1977 MAINLY AS A RESULT, AMONG OTHER THINGS, OF THE IMPACT ON JAMAICA'S COMPETITIVENESS OF THE CURRENCY DEVALUATIONS THAT HAD TAKEN PLACE, COMBINED WITH A NEW PROMOTIONAL THRUST TO GET THE INDUSTRY MOVING AGAIN. NEW INTEREST HAD BEEN REKINDLED AMONG OLD AND NEW MANUFACTURERS AND VERY CONCRETE AND TANGIBLE INVESTMENT PLANS DRAWN UP FOR IMPLEMENTATION.

10. THE MAIN PROBLEM CONFRONTING JAMAICA NOW IS THAT ONCE THE NEW ARRANGEMENT AT 8 ABOVE WAS SIGNED THE MAJOR ACTUAL AND PROSPECTIVE MANUFACTURERS IN THE INDUSTRY STARTED TO VOICE SERIOUS CONCERN ABOUT THE WISDOM AND INVESTING FOR EXPANSION IN A SITUATION IN WHICH THE SCOPE FOR SHIPPING INTO THE U.S. COULD BE REMOVED AT ANY TIME BY THE UNILATERAL ACTION OF THE UNITED STATES. THEY WOULD LIKE TO HAVE THE CERTAINTY AND ASSURANCE OF A DEFINITE QUOTA DESIGNED TO ACCOMMODATE THEIR PRODUCTION PLANS.

11. THE MATTER HAS BEEN RAISED IN RECENT MONTHS IN A SERIES OF DISCUSSIONS BETWEEN THE JAMAICA AMBASSADOR IN WASHINGTON AND U.S. OFFICIALS FROM THE VARIOUS AGENCIES CONCERNED, WITH A VIEW TO OBTAINING APPROPRIATE CHANGES IN THE EXISTING ARRANGEMENT THAT WOULD ALLAY THE FEARS OF THE INVESTORS IN THE INDUSTRY. HOWEVER, THE U.S. IS NOT FAVOURABLY DISPOSED TO THE IDEA OF REPLACING THE EXISTING ARRANGEMENT WITH A FORMAL QUOTA AGREEMENT.

12. THE ESSENCE OF JAMAICA'S ARGUMENT IS THAT JAMAICA HAS SHOWN PERFORMANCE IN THE PAST (16.4 MIL. SQ. YDS. EQUIVALENT FOR COTTON TEXTILES IN 1966, AND A HIGH OF 18.6 UNCLASSIFIED

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MIL. SQ. YDS. EQUIVALENT FOR ALL TEXTILES IN 1967).
THE OVERWHELMING PORTION OF SHIPMENTS OF COTTON TEXTILES
HAS TRADITIONALLY BEEN ACCOUNTED FOR BY COTTON SHIRTS,
CATEGORY 340, A CATEGORY WHICH JAMAICA DOES NOT WISH TO
BE RESTRAINED BELOW PAST PERFORMANCE LEVELS, ESPECIALLY WHEN
IT IS CONSIDERED THAT U.S. CONSUMPTION IS NOW BIGGER THAN IT
WAS IN THE PAST YEARS. JAMAICA WISHES TO ASSUME THAT IT
IS NOT THE INTENTION OF THE U.S. TO PREVENT JAMAICA FROM AT
LEAST GOING BACK UP TO THE FORMER LEVELS OF SHIPMENTS.
EVEN IF THE U.S. DOES NOT INTEND TO PLEAD MARKET DISRUPTION
BEFORE JAMAICA HAS SURPASSED HER FORMER PERFORMANCE LEVELS,
THERE IS STILL A RELUCTANCE OF THE INVESTORS TO PERFORM
DUE TO THE FORMAL EXISTENCE OF THE POSSIBILITY THAT THIS
MIGHT HAPPEN.

13. JAMAICA IS CONCERNED THAT THE U.S. POSITION SHOULD
REFLECT BOTH THE SPIRIT AND THE SPECIFIC PROVISIONS OF
THE ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES,
IN PARTICULAR,

- ARTICLE 1, PARA. 3
- ARTICLE 3, PARAS. 1 AND 2
- ARTICLE 6, PARAS. 3,5 AND 6

14. JAMAICA IS ALSO CONCERNED THAT THE U.S. ATTITUDE
SHOULD BE INFLUENCED BY THE CONSIDERATION THAT JAMAICA
HAS A LARGE ADVERSE BALANCE IN ITS TRADE IN TEXTILES AND
TEXTILE PRODUCTS WITH THE U.S.A. IN 1977 THE TOTAL VALUE
OF JAMAICA'S IMPORTS OF YARN, FABRIC, AND APPAREL FROM THE
U.S. A. AMOUNTED TO OVER J\$20.0 MILLION WHILE JAMAICA'S
EXPORTS OF THESE ITEMS TO THE U.S.A. STOOD AT UNDER
J\$5.0 MILLION. END OF TEXT.
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